


Date: December 15, 2008

To: Audit and Finance Committee

From: Gary Ray, City Auditor 

Subject: Audit of Fire Department Overtime

Cc: Harry Beck, Fire Chief  
Dan Stubbs, Assistant Fire Chief

Pursuant to the Council-approved audit plan the City Auditor's Office has completed an audit of Fire Department overtime.

The purpose of this letter is to transmit the report to the Audit and Finance Committee. The report package consists of the report and five Corrective Action Plans (CAPs). Management reviewed the report and concurs with the findings. They are currently developing detailed action plans to address each finding. In approximately 9 to 12 months, we will perform a follow-up review to evaluate whether those action plans have been successfully implemented and whether they adequately addressed the findings of this audit.

We would like to thank Fire Department management and staff for their cooperation, professionalism, and assistance throughout the audit process.

If you have any questions please feel free to contact me at x3210 or Jennifer Ruttman at x3767.

## Audit Report

**Department:** Mesa Fire Department (MFD)

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**Audit Subject:** Overtime

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**Report Date:** November 20, 2008

**Audit Period:** 3 Fiscal Years Ended June 30, 2008

**Purpose:** The primary objectives of this audit were:

- 1) To determine whether MFD policies and procedures related to overtime use include adequate internal controls to prevent inappropriate use of overtime.
- 2) To determine whether the MFD uses overtime efficiently and effectively, in compliance with applicable policies and procedures.
- 3) To determine whether the operational strategies employed by the MFD in the management of overtime usage are supported by formally recognized best practices in fire service management.

**Scope:** To accomplish this audit, we:

- 1) Reviewed all relevant departmental and citywide policies and procedures.
- 2) Conducted interviews with MFD personnel at all levels of the organization.
- 3) Performed detailed analyses of payroll and timekeeping data.
- 4) Researched best practices in the management of fire service overtime.

**Background:** This audit was performed in accordance with the 2008/2009 Council-approved audit plan. Given the high amounts of overtime used annually by the MFD, it was considered an area worth reviewing for efficiency, effectiveness, and risk of inappropriate activity. However, in light of significant revenue shortfalls, the department is making significant changes in the way it operates. One of these changes is the almost complete elimination of overtime. If the department is successful in eliminating overtime, a few of the findings and recommendations presented in this report will no longer be applicable. However, we believe it is important to present them so that management can make more informed decisions about overtime use in the future.

### Staffing Models

There are two generally accepted staffing models used by fire departments nationwide:

- I. "Constant staffing" refers to maintaining just enough full-time staff to meet minimum staffing with no leave pool or extras to fill vacancies created by vacation, sick leave, training or light duty assignments. All vacancies are filled by calling back other employees on overtime.
- II. "Overstaffing" refers to maintaining a leave pool that is sufficient to cover all vacancies with minimal use of overtime.

In 1997, the MFD implemented a constant staffing program that was actually a hybrid of these two models. A leave pool was maintained, but was intentionally smaller than the number of daily vacancies requiring coverage. The underlying goal of the hybrid model was to find a balance that minimized both excess capacity and callback overtime. The MFD's constant staffing program provided for a leave pool size of 10% of the on-duty emergency services workforce, and stipulated that 50% of the leave pool members must be paramedics and 33% must be officers (captains and engineers). As daily vacancies often exceeded 10%, constant staffing (overtime) was used to make up the difference. The number of vacation slots allowed each day was also 10%, except for on holidays, when an additional vacation slot was available.

#### Minimum Staffing for Emergency Services Operations

As of 6/30/2008, the MFD had 472 employees, 395 sworn and 77 civilian. Of the 395 sworn, 357 were assigned to 3 rotating 24-hour shifts, and the other 38 were assigned to other duties on a regular 40-hour per week schedule. Some of those would normally have been assigned to a shift, but were temporarily on a 40-hour transitional work (light duty) schedule.

The MFD currently operates 17 Fire Stations throughout the City and an additional station will soon be under construction. All stations are staffed 24 hours/day, 7 days/week. Each engine and ladder company is staffed with 4 members: 1 captain, 1 engineer and 2 firefighters, and any 2 of the 4 must be paramedics. During the audit period, there were 19 engine companies, 5 ladder companies, 3 foam units (for airport firefighting) and 1 hazmat unit. However, the department is currently in the process of redistributing these resources and developing an alternative deployment model, in order to provide the best services possible with reduced funding.

#### Callback Protocols

Prior to recent budget reductions, it was the MFD's policy to cover all vacancies of 4 or more hours in the emergency response workforce, using overtime when necessary. When a vacancy was in need of coverage to meet minimum staffing requirements, and there was no available rover in the leave pool, callback overtime was used. There were very detailed, multi-faceted protocols used to select the member to be called back; however, the primary elements were the rank and special attributes of the vacancy. In general, the member who met these conditions and had the least number of accumulated overtime hours was first to be offered the job. All callback protocols were preprogrammed into the Telestaff system and all members had access to the system to see who was on the roster and who had signed up for callback. These protocols minimized the risk of inequities in the distribution of overtime hours, but they also contributed to higher overtime costs, because they did not include cost as a factor in the callback decision.

**Conclusion:** We found that while many of the strategies employed by the MFD to manage overtime during the audit period were consistent with best practices in fire service management, there were also some opportunities for improvement. As the department moves forward with new strategies and fewer resources, some of these opportunities for improvement may no longer apply. However, if the department continues to require even the occasional use of overtime in the future, we believe there are actions they can take to minimize the cost of that overtime. Examples include:

- Protocols for calling back members on overtime could be adjusted to minimize the cost of that overtime.
- Leave pool staffing could be expanded and adjusted more frequently to avoid excessive use of callback overtime.
- Policies on leave usage could be adjusted to decrease the need for overtime.
- Changes could be made to the way overtime is coded, to provide more relevant data for management.
- Timekeeping procedures could be revised to include the internal controls necessary to prevent or detect inappropriate use of non-shift overtime

Please see the attached Corrective Action Plans for detailed findings and recommendations.

## **Corrective Action Plan #1**

**Audit Subject: Fire Department Overtime Usage**

**November 20, 2008**

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### **Title: Leave Pool Staffing**

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**Observation:** A total of 111,568 hours of overtime were logged by the MFD in FY 07/08, an average of more than 300 hours per day. 82% of that overtime (91,889 hours) was needed to meet minimum staffing levels because the leave pool did not contain a sufficient number of employees to meet the staffing needs of the department.

**Comments:** Each day during FY 07/08, an average of 29 employees per day were called back to work on overtime, and an average of 12 of those were for 12 hours or more. On at least 300 days, 7 employees (on average) were called back for full 24-hour shifts.

The MFD maintains a leave pool made up of employees (rovers) of various ranks and specialties, to fill vacancies that occur due to vacation, sick leave or other circumstances. The policy has been to maintain the leave pool at approximately 10% of the suppression workforce, or 11 per shift. However, there were often fewer than 11 rovers per shift. Rovers may be temporarily assigned to a position to fill in for a member who is on modified duty; and rovers are as likely as any other members to be out sick or on vacation, resulting in a depleted leave pool. When there are no rovers to cover a vacancy, the policy has been to call back members on overtime. It is also the department's policy to rebalance the leave pool (among the 3 shifts) twice per year.

The actual number of vacancies due to vacation, sick leave, transitional work, training and other activities varies every day; and a rover with no vacancy to fill represents "excess capacity". However, the department could have used at least 3 additional rovers per shift, 80%-100% of the time. Even at 80% utilization, the additional rovers would have been 24% less than the cost of using callback overtime.

The most important action the department can take to maximize the efficiency of the leave pool is to maintain an appropriate balance of ranks and attributes in the pool. Failure to do so not only precludes any anticipated savings, but may result in a net increase in labor costs. The practice of balancing the pool twice per year has not met the Department's fundamental need to maintain minimum staffing without excessive use of overtime.

We found that in FY 07/08 there was a significant increase in the number of callback hours worked by 56-hr captains. If these vacancies continue, the Department should consider creating more opportunities for lower ranked

staff members to temporarily "act" as Captain while a Captain is absent. Cascading in this manner would enable the department to select the level at which to fill the vacancy, increasing the likelihood of matching it to an available rover. If callback must still be used, it could be at a less costly overtime rate. This practice could also be considered a succession-planning tool.

**Recommendations:** We recommend that the MFD:

- 1) Increase the size of the leave pool to at least 14 rovers per shift.
- 2) Carefully monitor and adjust the leave pool as often as is reasonable and necessary to minimize the need for callback.
- 3) Change the way the leave pool is staffed. Rather than being a default assignment for members awaiting a fixed position, the leave pool should be staffed as deliberately as that of an engine or ladder company; with the combination of positions determined most effective for achieving its purpose.
- 4) Develop alternative strategies for filling vacancies. For example, under-filling rather than over-filling vacancies; reassignment of on-duty staff to avoid callback, etc.

## **Corrective Action Plan #2**

**Audit Subject: Fire Department Overtime Usage**

**November 20, 2008**

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### **Title: Leave Usage Policies**

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**Observation:** During the audit period, the number of vacation hours allowable per day often exceeded the maximum number of rover hours available to cover those shifts. On holidays, the gap was even greater because one additional vacation slot was allowed.

**Discussion:** If fully staffed, the leave pool has eleven rovers per shift, providing a maximum of 264 hours of coverage per day if there are no members on light duty and no rovers are out on leave. The MFD allows eleven suppression staff employees to take vacation on any given day. On holidays, 1 additional vacation slot is allowed; and vacation can only be requested in full shifts.

In FY 07/08, the average leave usage (all types) per day was 284 hours, which was 20 hours more than the maximum possible number of rover hours available. Average leave usage (all types) on holidays was 350 hours, which was 86 more than the maximum possible number of rover hours available. Historically, there were often fewer than 11 rovers in the leave pool, and one or more of them may have been on leave at any given time. This meant that there was always a high likelihood that overtime would be needed to cover for sick leave, vacation leave, light duty, etc.

Although vacation use on most days during FY 07/08 was below the allowable number of hours, there were 27 days on which vacation usage reached or exceeded the maximum allowable hours, increasing the need for overtime.

**Recommendations:** We recommend that the MFD:

- 1) Give employees the option to use partial shift vacation leave on holidays.
- 2) Limit allowable vacation hours when necessary to reduce overtime. We suggest that a lower number of guaranteed vacation slots be made available, along with additional "conditional" vacation slots that would be subject to cancellation if staffing levels were to fall below specified levels. The total number of vacation hours allowed should always be less than or equal to the number of rovers on each shift.

### **Corrective Action Plan #3**

**Audit Subject: Fire Department Overtime Usage**

**November 20, 2008**

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**Title: 40-Hour Sworn Staff – Overtime Costs**

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**Observations:** The MFD does not limit callback overtime to 56-hr employees. However, when 40-hr employees work callback, the cost is excessive. In addition, records show that 40-hr employees flexed their regular schedules to create opportunities to earn callback overtime, and used overtime to attend training on their regular days off.

We also found that complications arising from switching employees back and forth between 56-hr and 40-hr schedules, as well as a general lack of control over timekeeping practices for 40-hr staff members, resulted in payroll and timekeeping errors.

**Discussion:** The cost of one 24-hr overtime shift worked by a 40-hr captain is almost 60% higher than the same shift worked by a 56-hr captain. There are two reasons for this:

- 1) Captains assigned to 40-hr positions receive an additional 10.4% in special assignment pay, and they retain any other multiple components of pay they were receiving prior to the 40-hr assignment, despite not being assigned to a unit requiring those skills.
- 2) The hourly rate that determines overtime pay for a 40-hr employee is significantly higher than the rate for a 56-hr employee. This is because the 40-hr rate is based on the biweekly rate divided by 80 hours, instead of the 112 hours used to calculate the rate of a 56-hr employee.

The process of switching an employee between a 56-hr and a 40-hr schedule involves several steps and requires coordination and timely communication between three different City departments: Fire, Human Resources, and Payroll. When a delay or miscommunication occurs during that process, it can result in payroll errors. In addition, the City's timekeeping system sometimes generates error warnings that tell users that there is a problem with an entry, but it is up to the user to correct the entry. If no correction is made, payroll errors can result.

During the audit process, we worked with Fire and HR to develop an improved process for ensuring a timely transition between 40-hr and 56-hr schedules, thereby reducing the risk of these types of errors in the future.

**Recommendations:** We recommend that the MFD:

- 1) Prohibit 40-hr employees from working callback overtime. This includes all 40-hr assignments, whether permanent or temporary.



- 2) Require all 40-hr employees to attend training on their regular workdays or to flex their time if necessary for this purpose.
- 3) Clearly communicate to employees that if they are made aware of a payroll or timekeeping error, they have a responsibility to ensure it is corrected.

We further recommend to City management and to the City Council that an audit of the City's Payroll division be conducted to ensure that adequate controls are in place to prevent and/or detect payroll errors or fraud.

**Corrective Action Plan #4**

**Audit Subject: Fire Department Overtime Usage**

**November 20, 2008**

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**Title: Coding of Overtime Hours**

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**Observation:** The Fire Dept uses a specific pay code and work order combination (12-3000) to record shift overtime worked to fill a vacancy created by sick or vacation leave only. Other overtime is charged to different pay codes, for regular or straight-time overtime; and other work orders are used, depending on the reason for the vacancy being covered. While there is nothing inherently wrong with this practice, it does not allow management to track how much overtime is used to fill vacancies and how much is used for other purposes.

**Discussion:** In order to develop effective strategies to manage the size and composition of the leave pool, it is necessary to know how many vacancies require coverage. This data is currently not available without considerable analysis of multiple data sources.

There is no reason that both a pay code and a work order are needed to track minimum staffing as it is currently defined. The work order alone does that. Rather, pay code 12 could be used with various work orders to create a single data source that identifies all overtime used to fill a vacancy, regardless of the cause.

**Recommendation:** We recommend that the MFD:

Change the way overtime is coded, such that any overtime used to fill a vacant position on a shift (regardless of the cause) is considered minimum staffing overtime and is coded with pay code 12. This would create a new source of data that would let management know how much overtime is used to fill vacancies.

**Corrective Action Plan #5**

**Audit Subject: Fire Department Overtime Usage**

**November 20, 2008**

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**Title: Control and Documentation of Non-Shift Overtime**

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**Observation:** MFD policies and procedures do not provide adequate controls over non-shift overtime. Written approval is not specifically required and often there is no documentation in support of the overtime.

**Discussion:** Timekeepers are often payroll approvers, but are required to print timesheets daily for review by the Deputy Chief in charge of the applicable crews. These hard copies are required to be maintained for one rolling year.

**Recommendations:** We recommend that the MFD:  
Develop and implement stronger policies on overtime usage, including specific requirements for documentation and approval. All documents should be retained in accordance with City record retention standards.